



A CONTEMPORARY APPROACH TO STRATEGIC LEADERSHIP

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Abstract

Different leadership styles have been thoroughly studied in various situations over the past three decades. All this accumulated knowledge seems not to mask the growing interest in strategic leadership. Leadership style of organizations forms and impacts the strategies at both individual and organizational levels. Effective leadership has positive impacts on both firm performance and competitiveness. Integrating strategy and leadership is a critical factor for the future of firms. Strategic leadership is regarded as an effective and crucial management tool which helps firms in operating successfully in highly competitive market conditions. With this study we dwell into the research that has aggregated in terms of strategic leadership styles. Literature on strategic leadership highlights certain findings that point toward a common understanding, but nevertheless there are many areas which are left less than clear. An in-depth discussion of the major approaches and a review of contemporary challenges facing strategic leaders of today are presented and directions for future research are presented.

Keywords: Strategy, strategic leadership, strategic decision making, organizational performance, competitiveness.

INTRODUCTION

Over the past three decades leadership studies have focused on several common categorizations [6]. One of these main categorizations is the transactional / transformational / charismatic leadership styles. Despite an overwhelming emphasis on these more classic approaches [2], more recent studies have considered a wider span of areas within leadership and have included authentic, responsible, and servant leadership styles as well.

Interestingly enough, in the very well-studied leadership concepts and styles in particular, strategic leadership stands out to be one of the most seldom researched topics. We claim that in the near future there will be more emphasis on this topic due to the need to understand the real dynamics behind strategic changes taking place inside organizations and the real creators of such changes.

Top management's strategic interventions are critical in determining success in strategic execution [26]. Strategic decisions and actions cover competitiveness issues, financial choices, and resource allocation. Thus, strategic leadership is directly related with corporate sustainability [24] and organizational performance [22]. In this regard, in today's increasingly competitive business

conditions strategic leadership is expected to be more of a critical issue within both leadership and organizational studies.

This paper looks into the major contributions made by the researchers in strategic leadership arena and compiles together a modern understanding which can further be utilized in model building and finally hypothesis testing. Therefore this is an initial effort to combine and make sense out of the relevant approaches and significant findings researchers have accumulated in time.

STRATEGIC LEADERSHIP

Strategic leadership has been defined in many different ways. Almost all definitions consider the top management's characteristics, their way of doing things, and the way they affect organizational performance [9]. The boards, executives, and top management teams naturally play significant roles in determining the strategic direction and how the strategy gets translated into everyday execution. In this regard, strategic leadership also encompasses how the methods preferred by top management gets translated into



action through organizational communication schemes.

Strategic leadership concept can be traced back to the work of Hambrick and Mason [11] and Bass [1] where the transformational leadership concept was introduced. All strategic leadership approaches owe greatly to these initial steps in the sense that major and more modern understandings like envisioning the future, articulating the path, and accompanying on the implementation phases have risen from these contributions [17]. More classic views on leadership have focused on transactional leaders that get things done no matter what, whereas with the introduction of this new perspective leadership has gained a fresh understanding which values supporting the subordinates and leading with them instead of despite of them.

There are several different perspectives as to the nature and the level of analysis of strategic leadership which have evolved in the literature so far. Boal [4] claims that there is a link between strategic leadership and organization's past, present, and future. According to him strategic leadership focuses on strengths and weaknesses of organizations and opportunities and threats of the external environment. Ireland and Hitt [14] define strategic leadership as a competency to envision proactively, think strategically, and struggle for the organization's future at the individual level. According to Elenkov et al. [8] strategic leadership is a process of creating a vision, motivating employees, forming strategies at both individual and organizational levels.

Burgelman and Grove [5] identify strategic leadership as a strategizing process which provides better corporate sustainability and longevity. According to Narayan and Zane [16] strategic leadership is influenced by two major elements, namely internal and external elements. Internal elements are the organizations' structure, vision, values, goals, strategies, and management style. On the other hand, external elements are composed of customers, suppliers, partners, competitors, investors, and government.

In an attempt to uncover the dynamics taking place in strategic leadership issues, Ozer and Tinaztepe [19] have conducted a quantitative study covering 215 executive respondents. Their findings suggest that among transformational, transactional, and paternalistic leadership styles relationship-oriented strategic leaders are most common in business environments.

The distinction between *leadership* and *strategic leadership* is critical in understanding the role of strategic leadership concept in modern

business settings. According to Hambrick and Pettigrew [12] leadership theory is more general in essence. There are leaders at every level of hierarchy in the organization and leadership focuses on the relationship between leaders and their followers. On the other hand, strategic leadership focuses on strategies and the organization's future [25] and therefore is solely focused on top management and the effect it exerts on the overall organization. Norburn [18] emphasizes the kind of different roles middle managers and top managers play.

Strategic actions taken through the strategic leadership function of top management and executives reflect themselves mainly in three categories [3]. These categories are 1) competitiveness issues, 2) financial choices, and 3) resource allocation decisions. Competitiveness issues cover acquisitions and the kind of strategic alliances companies may engage in. Financial choices include the kind of cash management and investment strategies executives prefer. Resource allocation decisions have both more day to day operational consequences as well as more structural fixed asset related results.

CHARACTERISTICS OF STRATEGIC LEADERS

Schoemaker and Krupp [21] identify six distinct abilities of strategic leaders. These abilities are as follows:

- 1) *Anticipating Ability*: This ability refers to evaluating and responding to signals from the organization's business environment for struggling against the rivals.
- 2) *Challenging Ability*: This ability refers to thinking creatively and finding creative solutions for problem solving.
- 3) *Interpreting Ability*: This ability refers to developing hypotheses about dynamic environmental conditions.
- 4) *Deciding Ability*: This ability refers to generating and evaluating excess options for forming organization's strategies and designing its future.
- 5) *Aligning Ability*: This ability refers to motivating employees around the strategic vision and values.
- 6) *Learning Ability*: This ability refers to knowledge acquisition from the external instead of the internal environment.

Utilizing and sustaining core competencies and turning them into performance measures require leaders of organizations in today's world to be more engaged in developing human capital. As the abilities and the knowledge of the workforce get more advanced employees' way of being led and motivated naturally is expected to evolve as well. Strategic leadership, thus, can be viewed to fill this gap in modern organizations. Long-term success can be achieved through more employee involvement as practiced in participative management techniques.

Transformational leaders resemble a lot of the qualities of inspirational, charismatic, and visionary leaders [25]. According to Rowe [20] the most important part of strategic leadership is influencing employees in the whole organization. He determines the characteristic of strategic leaders as follows:

- Integration of managerial and visionary leadership
- Emphasis on ethical conduct and ethical decision making
- Management of daily operations and long-term strategic responsibilities
- Development and the execution of strategies to enhance organizational competitiveness
- Having a strong foresight for future performance of organization
- Usage of strategic and financial tools for strategic control
- Share of explicit and implicit knowledge on individual and organizational levels
- Utilization of linear and nonlinear thinking and management tools

Crossan et al. [7] define strategic leadership as the integration of three dimensions. These dimensions are leadership of self, leadership of others, and leadership of organization.



Figure I. Strategic Leadership within and amongst three levels

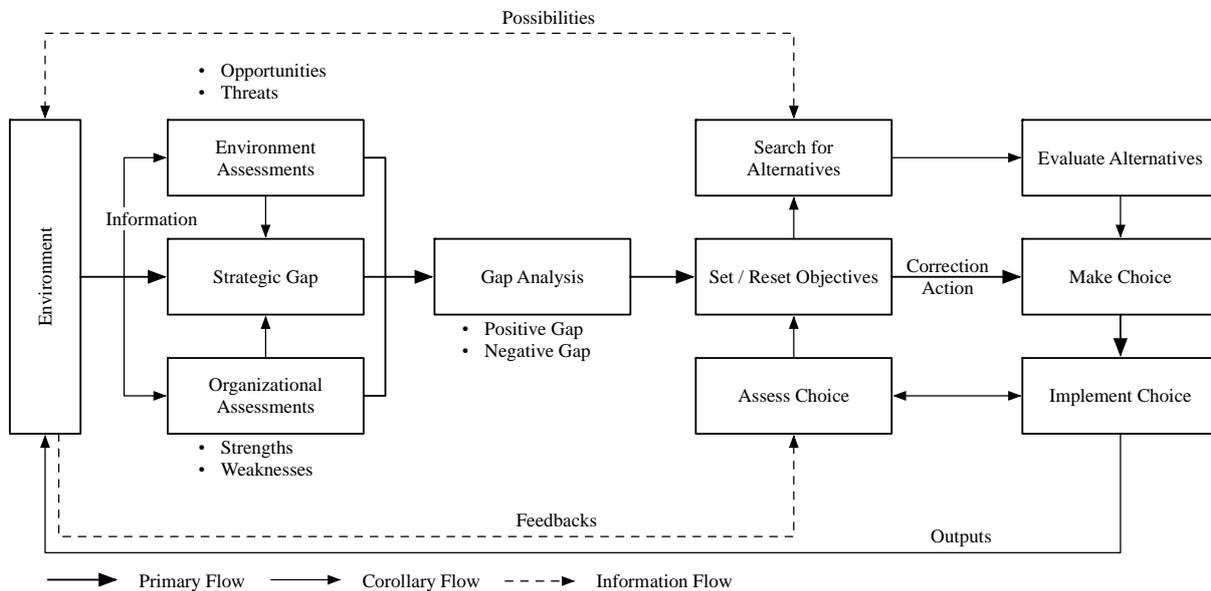
Source: Crossan et al. [7], pp. 570

Ireland and Hitt [14] explain the components of strategic leadership as 1) determining of organization's vision and goals, 2) exploiting and sustaining organization's core competencies, 3) developing human capital, 4) maintaining an effective corporate culture, 5) emphasizing ethical behaviors, and 6) designing a balanced control system. They further claim that especially in the 21st century organizations depend more heavily on the positive effect strategic leadership has on creating and sustaining competitiveness. According to them highly competitive nature of the global economy combined with the requirements of the modern competitive landscape make it a necessity for the organizations that top executives be more insightful in determining and executing the corporate strategies. Their views can be widened to include organizations in general.

STRATEGIC DECISION MAKING PROCESS

Harrison [13] emphasizes that strategic decisions are related to organizational assessments and environmental assessments. He identifies the elements of organizational assessments as management style, technology, policies, and resources. According to him environmental assessments consist of opportunities, threats, strengths, weaknesses, requirements, and responsibilities. Therefore, strategic decisions must define the relationships between organization and its business environment, must analyze all departments and lead to both operational and managerial activities of the organization

Figure II. Strategic Decision Making Process



Source: Harrison [13], pp.50.

According to Mador [15] in the literature strategic decision making has created three main concepts as the key characteristics. These characteristics are comprehensiveness, extensiveness, and speed. Comprehensiveness refers to short term decision horizons and rationality of management. Extensiveness refers to long term planning and decision horizons. Speed refers to fast decision making in very dynamic environments. Strategic leaders can make their decisions and create differences by choosing varying degrees of these three characteristics.

Strategic leaders' behaviors affect organizational decision making process. Strategic leaders have to focus on organizations' external environment. According to Friday-Stroud and Sutterfield [10] strategic leaders should consider the following criteria in their strategic decision making process;

- Setting the organizational goals, mission and vision clearly;
- Performing analyses such as SWOT analysis, pest analysis, gap analysis, and statistical analyses using relevant management tools;
- Determining standardized performance measures;
- Attaining and allocating appropriate financial and nonfinancial resources to perform the decision;

- Evaluating the results of the strategic decision and controlling whether or not the desired targets are achieved.

Stephoe-Warren et al. [23] define the role of strategic leaders as strategic thinkers who understand both the internal and external factors which impact the organization's future. They explain strategic thinking as two distinct processes. These processes are planning and thinking. Planning comprises of analysis, systems, and policies whereas thinking is made up of strategies, innovation, and creativity. Therefore, the integration of strategic thinking and the decision making process can be regarded as the new and contemporary way of dealing with the rivals. Struggling in the modern competitive environments are no longer enough to sustain strategic success over time. Strategic leaders act as strategic thinkers and in this way they provide a competitive edge to their organizations.

CONCLUSION

As competition intensifies in almost all industries there is a growing necessity for firms to create and sustain more effective leadership. Leadership theory is concerned with every hierarchical level of leaders whereas strategic



leadership focuses on only top management and its effects. Since strategic leadership is unique for each company, basing competitiveness on such an almost impossible attribute to imitate stands out to be a great path. Strategic leadership not only creates a competitive advantage for the company, but it also generates a climate within the organizational culture that permeates all employees.

Not all strategic leadership practices fall under the good practice category. Sometimes, as research has shown, strategic leaders' characteristics intervene negatively and unfortunately in the face of effectiveness the company and the employees suffer. Thus, the vision and the ethical codes of the strategic leaders determine the quality of the practice. In general, literature shows that strategic leaders are better at being process focused rather than being only outcome focused. In this sense, strategic leadership is not only directing the behavior of the employees but also accompanying them on the way.

Strategic leadership concept lacks sound models. Therefore we assert that, as a next step, model building can benefit the accumulated knowledge in many ways. Due to the unique characteristics of strategic leaders we recommend that more qualitative research be focused on rich intra-organizational facts. Each strategic leader has certain features that differentiate him/her from the rest. As researchers create more models the construct will eventually reveal more critical underpinnings that widen our perspectives regarding organizations and the management practice.

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